No. 13044

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

REPUBLIC PICTURES CORPORATION,

Appellant,

vs.

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES,

Appellee.

APPELLEE'S BRIEF.

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APPELLEE'S BRIEF.

Basis of Jurisdiction.

Jurisdiction of the Court of Appeals is believed to be derived from Title 28, United States Code, Section 1291, the within appeal being taken from a final decision of the United States District Court for the Southern District of California, Central Division.

The complaint in the court below was framed in declatory relief and was filed on behalf of Appellee on September 7, 1950 [Tr. p. 3]. Appellant filed its answer on October 18, 1950 [Tr. p. 4]. The matter came on for trial on March 30, 1951, and it affirmatively appeared, both from the complaint and from the Findings of Fact made by the United States District Court, that Appellee was and is a national banking association doing business and having a principal place of business in the Southern District of California, and that Appellant was and is a corporation organized and existing under and by virtue of the laws of the State of New York [Tr. p. 9]. It was further found that the amount in contro-

versy exceeded the sum of Three Thousand Dollars ($3,000.00), exclusive of costs and interest [Tr. p. 9]. Jurisdiction of the United States District Court, therefore, was derived from Title 28, United States Code, Section 1332(a)(1).

The judgment of the United States District Court was entered on June 14, 1951 [Tr. p. 10, Ex. B], and notice of appeal from said judgment was filed and served by Appellant on June 19, 1951 [Tr. p. 10, Ex. C].

Summary of the Argument.

I.

The United States District Court has comprehensive and exclusive jurisdiction, derived clearly and expressly from a specific statute to hear and decide cases arising under the Copyright Law.

II.

An action to foreclose a mortgage on copyright is an action arising under the Copyright Law and is cognizable exclusively in the United States District Court:

(a) A civil action arises under a law of Congress when it requires the establishment, enforcement or vindication of a federal right as its principal issue;

(b) A civil action arises under Section 1338(a) of the Judicial Code if it sets up some right, title or interest under the Copyright Law and invokes a federal right or remedy.

III.

Appellant's cases distinguished:

(a) Cases cited under Appellant's point I.

(b) Cases cited under Appellant's point II.

(c) Cases cited under Appellant's point III.

ARGUMENT.

I.

The United States District Court Has Comprehensive and Exclusive Jurisdiction, Derived Clearly and Expressly From a Specific Statute, to Hear and Decide Cases Arising Under the Copyright Law.

Congressional authority to legislate in the field of copyright is derived from constitutional mandate (Constitution, Art. I, Sec. 8), and pursuant thereto Congress has from time to time enacted legislation establishing and governing copyright, including the present Copyright Law (Act of March 4, 1909, 35 Stat. 1084, Ch. 320; codified and enacted into positive law, Act of July 30, 1947, 61 Stat. 652, Ch. 391, Sec. 1, Title 17, U. S. C.).

Original jurisdiction of *any* civil action arising under the Copyright Law is vested in the United States District Courts under the specific terms of Title 28, United States Code, Section 1338(a), which reads as follows:

> "§1338. Patents, copyrights, trade-marks, and unfair competition.
>
> (a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases."

Within the field of copyright, to which the foregoing specific statute expressly relates, the jurisdiction of the United States District Courts is not limited, but is exclusive and comprehensive.

None of the cases cited by Appellant to the effect that the federal courts are courts of limited jurisdiction, with

which proposition Appellee does not take issue, express or imply the principle that this Court is prevented from *construing* the Judicial Code and the Copyright Law to determine whether or not an action to foreclose a mortgage on copyright is an action coming within their terms.

Neither *Credit Bureau of San Diego v. Petrasich,* 97 F. 2d 65, 67 (C. C. A. 9, 1938), nor *People ex rel. McColgan v. Bruce,* 129 F. 2d 421, 423 (C. C. A. 9, 1942), nor, indeed, any of the cases cited by Appellant deprive the Court of the power or relieve it of the duty of construing Section 1338(a) of the Judicial Code. Indeed, in *People v. Bruce, supra,* the jurisdictional issue was resolved by a construction of Title 28, United States Code, Section 226, in the light of the congressional intent manifested in the enactment of the legislation.

It is, of course, well established that the jurisdiction of the federal courts is limited to the exercise of the jurisdiction conferred upon them by Act of Congress within its constitutional powers, but after Congress has legislated and by constitutional authority extended the powers of the federal court over *any* action arising in a specified field (as here) it is the jurisdiction of the state courts upon which the limitation is imposed or, as here, excluded.

We do not suggest that the Court is called upon to expand Section 1338(a) by judicial interpretation, a practice condemned in *American Fire and Casualty Co. v. Finn,* 341 U. S. 6, 95 L. Ed., Adv. Ops. 473, 480 (1951), nor do we contend that jurisdiction should be invoked *sua sponte,* because of an assumed hiatus in the law. Congress has not failed to act, and all that is required is a construction of the law which Congress has enacted.

That this is nothing novel in the law is demonstrated by the fact that nowhere has it been contended, for ex-

ample, that an action for infringement of copyright should be brought in any court other than the United States District Court. Such an action is cognizable only in the United States District Courts, *despite the fact that Section 1338(a) of the Judicial Code, upon which jurisdiction is grounded in such cases, as well as in the present case, makes no more specific mention of actions for infringement of copyright than of actions to foreclose mortgages on copyright.*

II.

An Action to Foreclose a Mortgage on Copyright Is an Action Arising Under the Copyright Law and Is Cognizable Exclusively in the United States District Court.

The United States District Courts, having exclusive jurisdiction of any civil action arising under the Copyright Law [Title 28, U. S. C., Sec. 1338(a)], there remains for consideration a definition of the characteristics of an action arising under the Copyright Law. To this end we must consider, (a) the characteristics of an action arising under a given federal statute, and (b) the characteristics of an action to foreclose a mortgage on copyright.

(a) A Civil Action Arises Under a Law of Congress When It Requires the Establishment, Enforcement, or Vindication of a Federal Right as Its Principal Issue.

While the problem of jurisdiction as related to copyrights is one of first impression in the courts, much consideration has been devoted to the establishment of general criteria whereunder it can be determined whether an action arises under a given law of Congress. Unfor-

tunately for our purposes, these cases have been devoted principally to the construction of Section 1331 of the Judicial Code, which provides for jurisdiction in the federal courts of actions involving a minimal amount and arising under the Constitution, treaties, and laws of the United States and with respect to which it is generally held that in order for a case to arise thereunder it must principally involve the construction, validity, vindication, or effect of the Constitution, treaties, or laws of the United States.

If the tests applicable to Section 1331 were to be determinative of all such questions of jurisdiction, there would have been no purpose in enacting Section 1338(a) to cover the field of patents and copyrights. When, however, jurisdiction is rested on Section 1338(a), or one of the former statutes to the same effect, the foregoing test of construction is but one of the tests, and the lesser one, determinative of the issue. [*Pratt v. Paris Gaslight & Coke Co.,* 168 U. S. 255, 259, 42 L. Ed. 458, 460 (1897); *Henry v. A. B. Dick Co.,* 224 U. S. 1, 56 L. Ed. 645, 651 (1911).]

In *Pratt v. Paris Gaslight & Coke Co., supra* at page 259 of the official report, Mr. Justice Brown stated the law to be as follows:

> "The action under consideration is not one arising under the patent-right laws of the United States in any proper sense of the term. *To constitute such a cause the plaintiff must set up some right, title or interest under the patent laws, or at least* make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction, of these laws. *Starin v. New York,* 115 U. S. 248 [29:388]; *Germania Ins. Co. v. Wisconsin,* 119 U. S. 473 [30:461]." (Emphasis added.)

While, as it will be made to appear, a construction of the Copyright Law is an essential to the instant case, the claim of jurisdiction is not rested solely upon that ground.

The general limits of federal jurisdiction are set by two relatively recent decisions of the Supreme Court of the United States, which may be analyzed with profit.

The first of these is the opinion of Mr. Justice Stone in *Puerto Rico v. Russell & Co.,* 288 U. S. 476, 483, 77 L. Ed. 903, 909 (1933). In that case no right, title or interest under a law of Congress was set up, Mr. Justice Stone stating:

> "Federal jurisdiction may be invoked to vindicate a right or privilege claimed under a federal statute. It may not be invoked where the right asserted is non-federal, merely because the plaintiff's right to sue is derived from federal law, or because the property involved was obtained under federal statute. *The federal nature of the right to be established is decisive*—not the source of the authority to establish it." (Emphasis added.)

Determinative, then, in an action of this character, is the nature of the right to be established or vindicated. If the right is federal in nature, there is federal jurisdiction; if the right is non-federal in nature, then the mere fact that it is claimed under an act of Congress does not vest jurisdiction in the United States District Courts.

Nor does the case of *Gully v. First National Bank,* 299 U. S. 109, 112, 81 L. Ed. 70, 72 (1936), militate against this test. In that case the propriety of removal to a federal court of an action instituted by a state taxing authority against a national bank was challenged, the Supreme Court holding that there was no federal juris-

diction, notwithstanding that the source of the authority to establish the right was derived from a permissive federal statute. This is entirely consistent with *Puerto Rico v. Russell & Co., supra,* and with *Pratt v. Paris Gaslight & Coke Co., supra.*

In *Gully v. First National Bank, supra,* at page 116 of the official report, Mr. Justice Cardozo stated:

> "Here the right to be established is one created by the state. If that is so, it is unimportant that Federal consent is the source of state authority. To reach the underlying law we do not travel back so far. By unimpeachable authority, a suit brought upon a state statute does not arise under an act of Congress or the Constitution of the United States because prohibited thereby. . . . With no greater reason can it be said to arise thereunder because permitted thereby."

It is manifest, therefore, that the right, title or interest to be established, enforced or vindicated in the *Gully* case was by its nature a state, as opposed to a federal, right, and by definition cognizable in the state courts and not in the United States District Courts.

Some attention should be given to the cases relied upon by Appellant, and it is suggested that these should be examined in the light of the following language of Mr. Justice Cardozo in the case of *Gully v. First National Bank, supra,* cited and relied upon by Appellant herein. The pertinent quotation is found at pages 117-118 of the official report:

> "This Court has had occasion to point out how futile is the attempt to define a 'cause of action' without reference to the context . . . To define

broadly and in the abstract 'a case arising under the Constitution or laws of the United States' has hazards of a kindred order. What is needed is something of that common-sense accommodation of judgment to kaleidoscopic situations which characterizes the law in its treatment of problems of causation. One could carry the search for causes backward, almost without end. . . . Instead, there has been a selective process which picks the substantial causes out of the web and lays the other ones aside. As in problems of causation, so here in the search for the underlying law. If we follow the ascent far enough, countless claims of right can be discovered to have their source or their operative limits in the provisions of a federal statute or in the Constitution itself with its circumambient restrictions upon legislative power. To set bounds to the pursuit, *the courts have formulated the distinction between controversies that are basic and those that are collateral,* between disputes that are necessary and those that are merely possible. We shall be lost in a maze if we put that compass by." (Emphasis added.)

In the cases cited under headnote II-A of Appellant's brief, the facts upon which the principles announced were predicated bear no resemblance to the facts in the case at bar. Appellant lists a number of cases, all of which are disposed of by the courts on the primary ground that no federal jurisdiction was involved because the actions were *in personam* and only incidentally involved questions under federal laws, the primary questions in each case being the rights of individuals before the court to remedies well known to the common law, or stated otherwise, to remedies non-federal in nature and principally evolved from contracts *inter partes.* These cases will be discussed and distinguished under Appellee's Point III, *infra.*

(b) A Civil Action Arises Under Section 1338(a) of the Judicial Code if It Sets Up Some Right, Title or Interest Under the Copyright Law and Invokes a Federal Right or Remedy.

Historically, copyright, that is, the right of an author to his published work, has existed solely under statute in English-speaking countries since the Act of 8 Anne (1709). (*Donaldson v. Beckett,* 4 Burr. 2408 [1774]; *Wheaton v. Peters,* 8 Peters 591, 33 U. S. 591 [1834]; *Bobbs-Merrill Co. v. Straus,* 210 U. S. 339 [1908].)

At the present time copyright in the United States exists solely under and pursuant to the Act of 1909, codified and enacted into positive law by Act of Congress July 30, 1947, Title 17, U. S. C., 61 Stat. 652.

In *Bobbs-Merrill Co. v. Straus, supra,* at page 346, the court stated:

> ". . . Copyright property under the Federal law is wholly statutory and depends upon the right created under the acts of Congress passed in pursuance of the authority conferred under Article 1, Section 8, of the Federal Constitution . . ."

There can be no doubt, therefore, that copyright is a right *federal* in nature, unknown to the common law.

The right to mortgage a copyright is likewise federal in nature and unknown to the common law. It is established under Section 28 of the Copyright Law. (Title 17 U. S. C., Sec. 28.)

> "Copyright secured under this title or previous copyright laws of the United States may be assigned, granted or mortgaged by an instrument in writing signed by the proprietor of the copyright, or may be bequeathed by will."

Absent Section 28, copyright, because of its non-traditional nature as a property concept, could not be made the subject of mortgage. The Circuit Court of the United States for the Second Circuit has stated that *"copyright can be mortgaged only under the Federal Copyright Law."* (*In re Leslie-Judge Co.,* 272 Fed. 816, 818 (C. C. A. 2, 1921); Cert. Den. in *Green v. Felder,* 256 U. S. 704, 65 L. Ed. 1180 (1921).

Copyright is an intangible of the most elusive nature and is only deemed to be a property right because it has value. In so far as situs can be attributed to so abstract a right, its situs is co-extensive with the jurisdiction of the authority which gives it life, that is the federal government. (*Stevens v. Gladding,* 58 U. S. (17 How.) 448, 451 (1854).)

A mortgage on copyright therefore is a mortgage on an intangible which defies application of the conventional common law requisite of mortgages or the remedies provided by the common law or local statutes.

A copyright can be neither mortgaged, nor a mortgage on copyright recorded under California law (*Cal. Civil Code,* Sec. 2955 (1) and *Cal. Civil Code,* Sec. 2957 (4).)

Civil Code, Section 2955(1) excludes property not capable of manual delivery from hypothecation by mortgage and *Civil Code,* Section 2957(4) permits recordation, a requisite to validity, only in the case of mortgages on property having a situs within a given county of the state.

In the case of *Henry v. A. B. Dick Co.*, 224 U. S. 1, 56 L. Ed. 645, 651 (1911), the Supreme Court of the United States stated:

> "*The remedy* which the complainant seeks may often determine whether the suit is one arising under the patent law, and cognizable only in a court of the United States, or one upon a contract between the patentee and his assigns or licensees, and therefore cognizable only in a state court, unless there be diversity of citizenship . . .
>
> * * * * * * * *
>
> "The test of jurisdiction is this: Does the complainant 'set up some right, title, or interest under the patent laws of the United States, *or* make it appear that some right or privilege will be defeated by one construction, or sustained by another, of those laws?' " (Citing among others, *Pratt v. Paris Gaslight & Coke Co., supra.*) (Emphasis added.)

The remedy sought in an action to foreclose a mortgage on copyright operates upon the copyright itself in that it requires a sale of the copyright by an officer of the court. It is therefore *in rem.*

We respectfully submit that this remedy is exactly parallel to a situation in which under a writ of execution an officer of the court seeks to seize and sell the copyright to satisfy a judgment.

A long line of cases establishes the proposition beyond peradventure that no execution out of a state court can be directly levied upon a copyright or patent. (*Stevens*

v. Gladding, supra; Stevens v. Cady, 55 U. S. (14 How.) 528 (1852); *Agar v. Murray,* 105 U. S. 126, 130, 26 L. Ed. 942, 943 (1881).)

In *Agar v. Murray, supra,* at page 130 of the official report, Mr. Justice Gray cites and quotes with approval the following language of Mr. Justice Curtis, in *Stevens v. Gladding*:

> "There would certainly be great difficulty in assenting to the proposition that patent and copyrights, held under the laws of the United States, are subject to seizure and sale on execution. Not to repeat what is said on this subject in 14 How. 531, it may be added, that these incorporeal rights do not exist in any particular State or District; they are co-extensive with the United States. There is nothing in any Act of Congress, or in the nature of the rights themselves, to give them locality anywhere, so as to subject them to the process of courts having jurisdiction limited by the lines of States and Districts. That an execution out of the Court of Common Pleas for the County of Bristol, in the State of Massachusetts, can be levied on an incorporeal right subsisting in Rhode Island or New York, will hardly be pretended. That, by the levy of such an execution, the entire right could be divided, and so much of it as might be exercised within the County of Bristol sold, would be a position subject to much difficulty. These are important questions on which we did not find it necessary to express an opinion, because in this case neither the copyright, as such, nor any part of it was attempted to be sold."

Mr. Justice Gray's interpretation of *Stevens v. Gladding,* was as follows (105 U. S. 130-131):

> "The difficulties of which the learned Justice here speaks are of seizing and selling a patent or copyright upon an execution at law, which is ordinarily levied only upon property or the rents and profits of property, that has itself a visible and tangible existence within the jurisdiction of the court and the precinct of the officer; and do not attend decrees of a court of equity, which are *in personam,* and may be enforced in all cases where the person is within its jurisdiction. *Massie v. Watts,* 6 Cranch. 148."

The case of *Stevens v. Gladding, supra,* having survived in full vigor the passage of one hundred years has been cited with approval no less than six times by the Supreme Court of the United States, forty times in other Federal courts, and twenty-four times in the state courts, and the case of *Agar v. Murray, supa,* approving of *Stevens v. Gladding,* has been cited no less than three times in the Supreme Court, twenty-five times in other federal courts, and thirty times in the state courts. This despite the fact that the subject matter of the two cases is limited to a discussion of this narrow question of jurisdiction.

Appellant can marshal to the contrary only the case of *Kieper v. Amico,* 174 Misc. 211, 20 N. Y. S. 2d 480-481, quoted by appellant on page 12 of its brief, minus the citations, and is the mere statement of the opinion of a law and motion Judge, not supported by reason or authority. He simply states that the action to foreclose a mortgage on a patent, since both parties conceded that the

patent was valid, would arise under the mortgage and not under the patent law. For this bald statement he cites as follows: *Luckett v. Delpark,* 270 U. S. 496, 502, 503; *Globe Steel Abrasive Co. v. National Metal Abrasive Co.,* (C. C. A. 6th, 1939), 101 F. 2d 489; *Waterman v. McKenzie,* 138 U. S. 252; *Wise v. Tube Bending Machine Co.,* 194 N. Y. 272, 87 N. E. 430; *New Era Electric Range Co. v. Ferrell,* 252 N. Y. 107, 169 N. E. 105; *Middlebrook v. Broadbent,* 47 N. Y. 443, 7 Am. Rep. 457; *Hyatt v. Ingalls,* 124 N. Y. 93, 26 N. E. 285. It is to be noted that although the Judge relied on the cases cited, the appellant cites only *Luckett v. Delpark, supra,* in support of its own argument. Not one of these cases, even *Luckett v. Delpark,* as we will shortly demonstrate, supports the proposition advanced by the New York Judge. We deem it fair in view of this unjudicial pronouncement to disregard this case as an authority in opposition to the propositions advanced by the appellee. Again in connection with *Kieper v. Amico, supra,* the Court's attention is respectfully invited to the following language of Mr. Justice day, in *Bobbs-Merrill Co. v. Straus,* 210 U. S. 339, 346, 52 L. Ed. 1086, 1091 (1907), where he quotes an opinion by Judge Lurton in *John D. Park & Sons Co. v. Hartman,* 153 Fed. 24, as follows:

> "There are such wide differences between the right of multiplying and vending copies of a production protected by the copyright statute and the rights secured to an inventor under the patent statutes, that the cases which relate to the one subject are not altogether controlling as to the other."

III.

Appellant's Cases Distinguished.

(a) Cases Cited Under Appellant's Point I.

The significance of these cases has been discussed in the opening of this brief, and as therein stated the Appellee has no quarrel with the propositions of law therein advanced. It is suggested that each and every one of these cases relied upon by Appellant is met by the plain language of Title 28, United States Code, Section 1338(a).

(b) Cases Cited Under Appellant's Point II.

Under subdivision "A" of Appellant's point II, Appellant states that a controversy over a contract relating to the licensing, use or assignment of a patent or copyright, or over the title to a patent or copyright, does not arise under patent or copyright laws.

All of the cases cited on page 9 and at the top of page 10 of Appellant's brief are cases which directly hold that *controversies over contracts between individuals, where the construction or enforcement of the contract is the primary issue,* are cases solely within the jurisdiction of state courts, absent diversity of citizenship, and these cases are correctly cited in support of that proposition with which we have no quarrel. However, at the bottom of page 9, Appellant states that "a suit to cause execution" upon a patent or copyright is a matter of state court jurisdiction, citing *Pratt v. Paris Gas Light & Coke Co., supra,* among others. We are at a loss to understand what Appellant means by "a suit to cause execution," but respectfully submit there is nothing in the cases cited, especially in the case of *Pratt v. Paris Gas Light & Coke Co., supra,* which refers to such a proposition. On the contrary, all of

these cases inferentially support Appellee's contention and impinge in no way upon the authority of *Stevens v. Gladding, supra,* to the effect that execution issued out of a state court will not lie against a copyright.

The *rationale* of these cases is found in the language of Mr. Justice Cardozo, in the case of *Gully v. First National Bank, supra,* quoted on pages 8 and 9 of this brief, and particularly the following portion thereof which bears repetition:

> ". . . the courts have formulated the distinction between the controversies that are basic and those that are collateral . . ."

Using this as our yardstick, it is manifest that in all of these cases cited by the Appellant any issue affecting the copyright or patent, or for that matter a law of the United States, as in *Shulthis v. McDougal,* 225 U. S. 561, 569, and *Teague v. Brotherhood of Locomotive Firemen,* 127 F. 2d 53, was purely collateral and the main issue in the cases was the interpretation of a contract or the rights between parties, and the remedy sought was a remedy *in personam* and *not in rem.*

The case of *Becher v. Contoure Laboratories,* 279 U. S. 388, 391-392, 73 L. Ed. 752, 753-754 (1928), which Appellant cites at the top of page 10 of its brief, strongly supports the contention of the Appellee and refutes the argument of the Appellant. The following language of Mr. Justice Holmes, in that case, is illuminating:

> "Even if the establishing of Oppenheimer's claim is that Becher's patent is void, that is not the effect of the judgment. Establishing a fact and giving a specific effect to it by judgment are quite distinct. A judgment *in rem* binds all the world, but the facts

> on which it necessarily proceeds are not established against all the world * * * and conversely establishing the facts is not equivalent to a judgment *in rem*. That decrees validating or invalidating patents belong to courts of the United States does not give sacrosanctity to the facts that may be conclusive upon the question in issue."

The foregoing citation disposes of the argument on page 10 of Appellant's brief that suits having for their primary object the determination of title to a patent or copyright are outside the jurisdiction of the federal court. Such suits are only outside the jurisdiction of federal courts when they primarily involve questions of the application of state law and do not involve the giving of a judgment *in rem* against a patent or copyright, as so clearly defined in the opinion of Mr. Justice Holmes, quoted above. (*Becher v. Contoure Laboratories, supra.*) In that case the plaintiff sued the defendant for infringement of a patent and asked for an injunction restraining the defendant from proceeding in the state court in an action brought by the defendant, as plaintiff, there to establish that the Becher patent had been obtained by fraud from one Oppenheimer. In the case before Mr. Justice Holmes, Becher claimed that if the defendant's action in the state court were successful it would invalidate his, Becher's, patent, and that in such an action the state court had no jurisdiction. The Supreme Court held that the state court had jurisdiction to try the issue of fraud and establish the fact thereof even though the invalidity of Becher's patent might be a necessary inference therefrom, and Mr. Justice Holmes, writing for the Court, in the language above quoted ruled substantially that the state court could not give a judgment *in rem,* defeating

Becher's patent by giving specific *effect* to the fact which it had jurisdiction to *find*.

Appellant further states, at page 10 of its brief, that the "origin of the property is of no significance in determining jurisdiction to try cases involving rights in that property," and cites, among other cases, *Luckett v. Delpark,* 270 U. S. 496, 504, 511, 70 L. Ed. 703 (1926). This was an action by a patent owner against licensees to recover among other things for royalties and the cancellation of licensing agreements and the reconveyance of a patent and the forfeiture of licenses as to other patents, all on the ground of the breach by the defendant of agreements and the failure of conditions subsequent under a contract between the parties. The plaintiff sought to invoke the jurisdiction of the federal court by seeking an injunction against future patent infringement. Mr. Chief Justice Taft delivered the opinion of the Court, saying:

> "We do not think this suit arises under the patent laws. Its main and declared purpose is to enforce the rights of the plaintiff under his contract with defendants for royalties and for pushing sales of 'My Pal' garments. In addition he seeks the reconveyance of one patent on forfeiture for failure of condition to remove a cloud on his title and a cancellation of all agreements of license of the other for their breach in order presumably that unembarrassed by this assignment and licenses, he may enjoin future infringement."

The Court cites with approval the exactly parallel decision of Mr. Chief Justice Taney in *Wilson v. Sanford,* 51 U. S. (10 How.) 99, 100, 13 L. Ed. 344, 345 (1850), holding that the remedy under the patent law could only arise after the purely non-federal questions under the con-

tract had been decided, and these the Court said "depended altogether upon rules and principles of equity." [Citing *Wilson v. Sanford, supra.*] Nowhere in the case does the Court state or hold that the origin of the property is of no significance in determining jurisdiction which, of course, it is, although it need not be controlling.

We have already discussed the cases cited as stating rules of construction under Section 1338(a) under our Point I, and here again we call attention to the fact that many of the cases involved construe Section 1331 rather than 1338(a), albeit they are not contrary in their holding to the contention of the Appellee herein.

Appellant then proceeds by way of peroration to subdivision A of point II of its brief to state that the decisions discussed above make it "abundantly clear" that "unless the validity or infringement of the copyright or patent is directly and primarily called into question, no federal jurisdiction arises under Section 1338(a), notwithstanding that in each of these cases, control and ownership of the copyright or patent or of interests therein was the ultimate objective of the litigants." It then cites *Parissi v. General Electric Co.,* 97 Fed. Supp. 333 (N. D. N. Y., 1951), where the Court distinctly held that a case brought for the unjust enrichment of the defendant through the use of plaintiff's patent should be remanded to the state court because "where rights *depend on principles of common law and equity,* the fact that a patent or copyright is incidentally involved does not give federal jurisdiction." (Emphasis added.) Obviously it is "abundantly clear" that this case does not sustain Appellant's contention that unless the validity or infringement of a copyright is involved the case does not arise under Sec-

tion 1338(a), but it does, and all of the cases cited do, sustain the proposition that if the case is primarily an action at common law or within the factual purview of the state courts the fact that ownership of the copyright or patent or interest therein is the ultimate objective of the litigant does not confer jurisdiction on the federal court. We do not take issue with the latter proposition.

Appellant then cites *Puerto Rico v. Russell & Co., supra,* as a decision of the United States Supreme Court held in respect to an "analogous situation." The analogy escapes us. The case of *Puerto Rico v. Russell, supra,* as well as the case of *Gully v. First National Bank, supra,* and the remaining citations on page 11 of Appellant's brief, have no reference whatever either to patents or copyrights. In the *Puerto Rico* case federal jurisdiction was sought and denied in an action to collect a tax due under a Puerto Rican taxing statute, despite the fact that federal law permitted the bringing of such an action. Obviously the court held that the action was one under the Puerto Rican taxing law and did not invoke the federal statute permitting the action for the collection of a tax levied under it. We take the liberty of repeating the quotation from page 483 of the official report in *Puerto Rico v. Russell & Co.,* also reproduced under our point II(a):

> "Federal jurisdiction may be invoked to vindicate a right or privilege claimed under a federal statute. It may not be invoked where the right asserted is non-federal, merely because the plaintiff's right to sue is derived from federal law, or because the property involved was obtained under federal statute. The *federal nature of the right to be established is decisive*—not the source of authority to establish it." (Emphasis added.)

We now come to a consideration of the cases cited by Appellant under its point II B. Appellant assumes to note that "suits respecting the enforcing of contracts relating to patents and copyrights and suits respecting *the determination and transfer of title* thereto are within the exclusive cognizance of the state court, absent diversity of citizenship." This we respectfully submit does not appear at large or at all from the citations of authority which we have discussed above.

Appellant then poses a rhetorical question asking "why is it [the state court] ousted of jurisdiction to enforce the *laws of the state* by the fortuitous circumstance that the mortgaged property is a patent or copyright rather than a houseful of furniture?" The answer is plain. The houseful of furniture was always subject to mortgage under common law, is a mortgage of tangibles within the limits of the state and to which all the attributes of common law mortgages may be attached, *and there are no state laws with respect to mortgages of copyright to be enforced.* Without invoking Section 1338(a) of the Judicial Code the answer seems sufficient clear.

Kieper v. Amico, supra, next cited by Appellant, is treated exhaustively on page 14 of Appellee's brief and is, for the reasons there stated, without weight in support of Appellant's position.

Appellant then quotes the case of *Dorf v. Denton,* 17 Fed. Supp. 531, 533 (D. C. N. Y., 1937), cited by Appellant on page 13 of its brief, which was decided, as stated in the opinion, "under the teachings of *Becher v. Contoure Laboratories, supra, . . .*" In that case a creditor of the proprietor of a copyright attempted by sequestration proceedings in the state courts of New York to obtain pos-

session of a copyright as a means of satisfying his claim. The creditor applied for and obtained the appointment of a receiver for the property of the debtor, the copyright proprietor, and then sought through an action by the receiver to set aside an assignment of the copyright and a mortgage on the copyright as in fraud of creditors. The state court, directly contrary to the statement of the case in Appellant's brief, found that there was no fraud in the assignment by the debtor or in the execution of the chattel mortgage. These were findings of fact and *res adjudicata* as to the persons before the court. There is absolutely nothing in the decision to justify Appellant's statement that Judge Woolsey, in the United States District Court, "found that the state court had exclusive jurisdiction to determine the validity of such a mortgage." The action in the District Court was an action brought by the receiver for the infringement of the copyright and Judge Woolsey held the receiver had no standing whatever to maintain the suit because (p. 533) "it has not been shown he is the owner of the copyright on which he seeks to found his action."

Wilson v. Sanford, 51 U. S. (10 How.) 99, 101-102, 13 L. Ed. 344, 345 (1850), and *Luckett v. Delpark,* 270 U. S. 496, 504, 511, 70 L. Ed. 703 (1926), have heretofore been discussed by Appellee, and at this point it is only necessary to point out that neither of these cases are authority for the statement allegedly contained therein (at page 13 of Appellant's brief) and even the facts of the *Wilson* case are inaccurately noted. In the *Wilson* case the patentee had not "sold his patent in exchange for promissory notes carrying a provision for forfeiture of the patent in the event of non-payment of the note." The contract in question in the case of *Wilson v. Sanford,*

supra, was a contract under which the patentee granted a *license* to the use of his patent in exchange for the notes and he sought a forfeiture of the *license,* adding a cause of action for infringement of the patent or for an injunction against its further use, hoping thereby to establish his right to federal jurisdiction. The court simply held there, as it did in *Luckett v. Delpark, supra,* that the plaintiff could not invoke jurisdiction of the federal court, under Section 1338(a), to determine his rights under a contract and that he had no right to proceed under the patent until the licenses were declared to be forfeited by an appropriate state court proceeding.

In the discussion of *Luckett v. Delpark, supra,* Appellant attributes to the Supreme Court a statement, *which that court never made,* to the effect that in all actions to foreclose rights in a patent or copyright the action arises under the contract and not under the patent or Copyright Law. Careful examination of the opinion in *Luckett v. Delpark* discloses no such statement or anything akin thereto.

Appellant seeks comfort in attempting to draw an analogy between the situation at bar and jurisdiction of the federal Court to foreclose ship mortgages. That the analogy is destructive of Appellant's proposition is manifest. The Ship Mortgage Act of 1920 created a right wholly unknown to the law prior to that date, a preferred ship mortgage. Bottomry and Respondentia, older concepts, are as old as the law itself. Naturally, therefore, any action to enforce by way of foreclosure or otherwise a ship mortgage, not obtained under the Act of 1920, is within the cognizance of the state courts. A preferred ship mortgage, obtained under the law of 1920

and unknown to the common law, is precisely identical to a mortgage on copyright obtained under the Act of 1909 *and equally unknown to the common law.* No one, not even Appellant, suggests that an action to foreclose a mortgage under the Act of 1920 belongs in any forum other than the United States District Court. It must follow that in the precisely analogous situation an action to foreclose a mortgage on copyright, obtained under the Act of 1909, is exclusively cognizable in the same court. If *Detroit Trust Co. v. Steamer Thomas Barlum,* 293 U. S. 21, 32, 79 L. Ed. 176, 179 (1934); *The J. E. Rumbell,* 148 U. S. 1, 15, 37 L. Ed. 345, 348 (1892), and the other cases cited by Appellant for this proposition are taken in context, the fallaciousness of Appellant's reasoning becomes clear. In the *Emma Giles,* 15 Fed. Supp. 502 (D. S. Md. 1936), the court made it clear that jurisdiction of actions to foreclose preferred ship mortgages under the Ship Mortgage Act of 1920 were within the exclusive jurisdiction of the United States District Court, but that if a mortgage through failure to observe the provisions of the Act fell short of the novel statutory mortgage, an action to foreclose it was in nowise to be treated differently than actions to foreclose mortgages prior to the enactment of the statute. *What the Ship Mortgage Act of 1920 does for preferred ship mortgages, the Copyright Law of 1909 and Section 1338(a) of the Judicial Code do for mortgages on copyright.*

Under its Point II-C, Appellant suggests that Congress' intention in enacting Section 28 of the Copyright Law was merely to permit the mortgaging of a copyright. It then cites *Gully v. First National Bank, supra,* for the proposition that a suit does not arise under an Act of

Congress because permitted thereby. Appellant has closed its eyes to that which it does not wish to see. Mr. Justice Cardozo, in the *Gully* case, was referring to a Federal statute which permitted the states to enact the legislation under which the action was brought. In the case at bar, Section 28 of the Copyright Law, represents the creation by the Congress of the United States of the right whereunder the suit is brought. Even though, by some stretch of the imagination, it might be conceded that Section 28 is permissive only, *the fact remains that mortgages of copyright are permitted nowhere else.* Had Section 28 been enacted to read that *the states* might enact legislation permitting the mortgaging of copyright, Appellant's parallel would be complete and well taken. In *Gully v. First National Bank, supra,* the Federal Act sought to be invoked as the source of Federal jurisdiction specifically permitted the legislatures of the states to enact the legislation under which the litigation arose. *In the case at bar, the legislation out of which the action arises is federal not state.*

Appellant next, by way of footnote on page 17 of its brief, makes the bold statement that at common law chattel mortgages were recognized and that the owner of literary property had the right to mortgage his interest therein. For this proposition it cites *Ball, Law of Copyright and Literary Property,* Sec. 216, p. 474, and 18 C. J. S. *Copyright and Literary Property,* Sec. 4, p. 140.

One looks in vain for any such statement in the treatise to which reference is made, and the statement in Corpus Juris Secundum which reads "Where manuscripts have been mortgaged they may be sold on foreclosure," is implemented only by the authority of *Washington Bank v.*

Fidelity Abstract, etc. Co., 15 Wash. 487, 46 Pac. 1036 (1896), which contains the following interesting statement:

> "Only one question is brought to the attention of this court, namely, the contention that, on account of the peculiar nature of the property described in the mortgage, the court erred in decreeing its sale. The appellant relies on the case of *Dart v. Woodhouse,* 40 Mich. 299. This case holds that a set of abstract books such as those in suit is but the unpublished manuscript of an author, valuable only on account of its literary contents, and belongs to the class of unleviable property, *such as a patent right or a copyright,* which are held by most of the courts to be unassignable privileges for incorporeal and intangible rights." (Emphasis added.)

The Washington court then goes on to state that the abstract books themselves, being corporeal, could be made the subject of levy and sale. This is the precise reasoning found in *Stevens v. Cady, supra,* where the corporeal copper plates were separated from the incorporeal right to reproduce them.

Appellant then turns to *The J. E. Rumbell,* 148 U. S. 1, 15, 16, 37 L. Ed. 345 (1892). In that case the Supreme Court stated that mere permissive recordation of a mortgage did not give rise to a federal action and did not make a mortgage on a ship a federal right or a subject of maritime jurisdiction. That this is true there can be no doubt, since the action clearly does not arise under the Recordation Act but under the accepted common law mortgage. However, in the *Rumbell* case the Federal Court retained jurisdiction.

(c) Cases Cited Under Appellant's Point III.

Appellant contends in its Point III that there is no inadequacy or deficiency in the foreclosure decree of a State Court. In order to consider the proposition made by Appellant under its Point III, it is necessary to beg the question as to whether or not a mortgage on a copyright is purely a federal instrumentality, and the remedy sought in its foreclosure purely a federal right under the copyright statute.

The concept of *situs* has no place in Appellee's argument. *Situs* is unimportant except in support of an argument that jurisdiction can be found in the State Courts. It has no place in finding federal jurisdiction, since the jurisdiction of the United States District Courts is co-extensive with the copyright, as established by Section 1338(a) of the Judicial Code. As Appellee has hereinabove demonstrated, the copyright is co-extensive with the boundaries of the United States (*Stevens v. Gladding, supra; Agar v. Murray, supra*).

The superficial argument which appears on page 20 of Appellant's brief can be answered by the fact that Appellant confuses jurisdiction with venue. Section 1655 of the Judicial Code deals primarily with venue. Any Federal Court has jurisdiction of an action to foreclose a mortgage on copyright; the venue, according to Section 1400 of the Judicial Code, must be laid in the district where the defendant resides or may be found. Section 1655 is a portion of Part V of Title 28, relating in terms to procedure only.

Further, if we are to accept the contentions of Appellant, made on pages 20 and 21 of its brief, it must follow that Congress has created an unenforceable right to

be sacrificed through a legislative oversight. The answer to this proposition is to be found in *Switchmen's Union of N. A. v. National Mediation Board,* 320 U. S. 297, 300, 88 L. Ed. 61, 64 (1943), wherein Mr. Justice Douglas stated:

> "If the absence of jurisdiction of the federal courts meant a sacrifice or obliteration of a right which Congress had created, the inference would be strong that Congress intended the statutory provisions governing the general jurisdiction of those courts to control. That was the purport of the decisions of this Court in *Texas & N. O. R. Co. v. Brotherhood of R. & S. S. Clerks,* 281 U. S. 548, 74 L. ed. 1034, 50 S. Ct. 427, and *Virginian R. Co. v. System Federation, R. E. D.* 300 U. S. 515, 81 L. ed. 789, 57 S. Ct. 592. In those cases it was apparent that but for the general jurisdiction of the federal courts there would be no remedy to enforce the statutory commands which Congress had written into the Railway Labor Act. The result would have been that the 'right' of collective bargaining was unsupported by any legal sanction. That would have robbed the Act of its vitality and thwarted its purpose."

Surely, it was unnecessary for Congress to add to Section 28 of the Copyright Law a provision to the effect that the mortgage may be foreclosed.

In *Kohagen v. Harwood,* 185 F. 2d 276, 278 (C. C. A. 7, 1950), the *res* was not a copyright but merely a royalty, and it was held that not only did the suit not involve a claim to specific property, but that the royalty did not exist in the eastern district of Wisconsin, and that substituted service, therefore, could not be sustained. We are not here concerned with the right to obtain sub-

stituted service against any possible defendant in an action to foreclose a mortgage on copyright, but with the jurisdiction of the court to hear and determine the action.

Appellant closes with the statement that this appeal is controlled by the recent decision of the United States Supreme Court in *Standard Oil Co. v. New Jersey,* 341 U. S. ....., 95 L. Ed. Adv. Op. 755 (1951). The cited case involved the effort of the State of New Jersey to escheat uncollected dividends and shares of stock of the Standard Oil Co. Service by publication was had (95 L. Ed. Adv. Op. 759). The court pointed up the distinction which Appellee has drawn and which was seen by the learned trial Judge in the case at bar, between an action purely *in personam* and an action sounding *in rem.* We are not here concerned with "judicially coerced action."

Appellant cites the well known case of *Curry v. McCanless,* 307 U. S. 357, 83 L. Ed. 1339 (1938), as authority for the statement that the fiction of *situs* of "intangibles" no longer persists in our jurisprudence, and again points to the authority of *Standard Oil Co. v. New Jersey, supra,* by stating that the controlling element in the jurisdiction of a state court over an intangible is not the *situs* thereof, since it has none, but the amenability to service of persons having interests therein. At this point in its brief Appellant seems to grasp the position of Appellee, which is that state courts have jurisdiction *in personam* and by judicially coerced action to achieve the collection of a mortgaged debt, without recourse to the federal Court. Or, stated otherwise, that state courts can act *in personam* where copyrights are but collaterally involved. The position of Appellee is that the mortgage

cannot be foreclosed by a state court action *in rem* on the copyright, because the State law does not know or recognize such a mortgage, and because any action directly on the copyright is an action arising under the Copyright Law. This proposition has been recognized for many years and in many cases, and one of the most apt expressions of it is found in the old California case of *Pacific Bank v. Robinson,* 57 Cal. 520, 521 (1881). The argument of prevailing counsel, quoted in the official report, was as follows:

> "It is true that under the laws of Congress upon patents no interest in a patent can be legally transferred except by an instrument in writing executed by the patentee. There is nothing in the Federal laws, nor in the laws of this State, that prevents the Court from making the order appealed from; but on the contrary, as we have shown, both the authorities and the statutes decide and prescribe that such an order may be made. The Court *does not* make the transfer, but it *orders* the patentees to execute it."

Adopting this argument, the court then stated on p. 525:

> "There is nothing in the case which involves the power of a State court in equity to compel the assignment of a patent, according to the Act of Congress, for the benefit of judgment creditors of the owner. *Of course the United States Courts have jurisdiction of any questions which arise as to the title itself;* but as the thing itself is not exempted from seizure and sale by the laws of the State, we think upon principle and authority that the order of the Court below was correct." (Emphasis added.)

Conclusion.

The judgment appealed from should be affirmed with costs to the Appellee.

Respectfully submitted,

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